



Review of Piedmont Natural Gas Company's Gas Rate Stabilization Act Monitoring Report

South Carolina
Office of Regulatory Staff
2019



**Review of Piedmont Natural Gas Company's
Gas Rate Stabilization Act Monitoring Report
for the period ending March 31, 2019**

Pursuant to S.C. Code Ann. Section 58-5-455(3)

August 30, 2019

South Carolina Office of Regulatory Staff

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Introduction

On February 16, 2005, the Natural Gas Rate Stabilization Act ("RSA"), S.C. Code Ann. § 58-5-400 *et seq.*, was signed into law. The South Carolina Office of Regulatory Staff ("ORS"), in accordance with the RSA, conducted an examination of Piedmont Natural Gas Company's ("Piedmont" or "the Company") Monitoring Report for the twelve-month period ended March 31, 2019 ("Review Period"). The examination was conducted for the purpose of determining the Company's compliance with the provisions of the RSA.

Pursuant to the RSA, the Company must file Monitoring Reports with the Public Service Commission of South Carolina ("Commission") and the ORS on or before the fifteenth of June. In Docket No. 2019-7-G, Piedmont filed its Monitoring Report with the Commission on June 14, 2019 ("Company's Request"). The Company reported in its March 31, 2019 Monitoring Report an adjusted rate of return and return on common equity of 6.22% and 7.59%, respectively. The Company's calculation of revenue requirements totaled an increase of \$16,964,048 consisting of a \$12,941,237 margin increase and a \$4,022,811 increase for demand cost under-recovery.

In accordance with the RSA, ORS's audit reports are provided to the Commission, the Company, and made available to all interested parties no later than September first. ORS's review of Piedmont's Monitoring Report focused on the Company's adherence to the RSA and applicable Commission Orders. This report details the results of ORS's examination.

ORS appreciates the Company's efforts to present its books and records in an accurate and transparent manner. Piedmont's responses to ORS's discovery and questions were timely. ORS met with the Company on August 22, 2019, to discuss the results of ORS's examination.

RSA Rates History

In accordance with the guidelines of the RSA, the Company is entitled to an adjustment in rates to achieve a return on common equity as set by previous Commission Order, currently 12.60%. Table 1 shows the requested and approved changes granted for prior RSA filings and a comparison to the current filing.

Table 1:

Docket No.	Order No.	Amount Requested	Resulting Revenue with Adjustments	Amount Granted	Approved Return on Equity	Rates Effective
2015-7-G	2015-732	\$8,994,755	\$8,688,604	\$3,898,604	10.20%	11/1/2015
2016-7-G	2016-705	\$14,910,332	\$12,727,664	\$7,655,078	10.20%	11/1/2016
2017-7-G	2017-624	\$17,552,834	\$12,094,357	\$5,829,357	10.20%	11/1/2017
2018-7-G	2018-679	(\$5,686,837)	(\$13,643,555)	(\$15,990,582)	10.20%	11/1/2018
2019-7-G	TBD	\$16,964,048	\$16,972,886	TBD	12.60%	11/1/2019

ORS Review

ORS examines the operating experience reported by the Company for the Review Period together with the associated revenue requirement calculations. The results of ORS's examination of the Monitoring Report and the underlying financial records through March 31, 2019, are contained in **Schedule 1**.

Schedule 1 presents the Company's operating experience, rate base and rates of return for the Review Period, and the accounting and pro forma adjustments that ORS has determined are necessary to normalize the Company's operations.

Utilizing the per book rate base of \$365,801,193, and income of \$24,949,099, a rate of return was calculated on per book operations of 6.82% with a corresponding return on common equity of 8.55%. ORS accounting and pro forma adjustments decreased net operating income for return to \$23,432,822 and decreased rate base to \$365,655,261. A rate of return of 6.41% and a return on common equity of 7.80% were computed by ORS. After the adjustments for the proposed margin increase of \$12,947,937 and an increase for demand cost under-recovery of \$4,024,949, net operating income for return increased to \$33,141,967. The rate of return on rate base computed by ORS after the adjustments for the proposed margin increase and demand cost under-recovery is 9.06%. The return on common equity is 12.60%.

Schedule 2 presents an explanation of the accounting and pro forma adjustments ORS recommends for the Company's Monitoring Report to conform to S.C. Code Ann. § 58-5-450. For comparative purposes, the adjustments of both the Company and ORS are presented on Schedule 2.

Schedule 3 presents the calculation of the weighted cost of capital used by ORS in calculating the Company's return on common equity both before and after ORS's adjustments for the proposed margin increase. The rate base, as shown on Schedule 1, is allocated between long-term debt and common equity using the Company's actual capital structure of 55.35% Common Equity and 44.65% Long-Term Debt for the Review Period. The adjusted amount of total income for return necessary to cover an embedded cost rate of 4.68% on long-term debt is computed to be \$7,640,805. The remainder of the total income for return of \$15,792,017 is income to common equity. This produced a return of 7.80% on common equity before the proposed increase. The overall cost of capital after accounting and pro forma adjustments, prior to the proposed increase, is 6.41%. The cost of capital after the proposed increase equals 9.06%.

Non-allowable Expenses

PNG proposed a non-allowable adjustment of (\$579,214). ORS's proposed non-allowable expense Adjustment #3j is (\$785,460). Below is a description of the categories of non-allowable expenses identified by ORS.

- Excessive Operating Expenses – Excessive expenses not considered necessary for the provision of natural gas service to customers such as aircraft flights, late payment fees and moving expenses.
- Lobbying – Expenses related to political purposes.
- Recreation, Entertainment or Non-Essential Employee Benefits – Expenses not considered necessary for ratemaking such as refreshments, parties and membership and association dues for non-professional organizations.
- Development Grants and Sponsorships – Costs of sponsorships and grants to non-profit organizations that do not directly relate to the provision of safe and reliable gas operations or increase total system sales and customers.
- Company Agrees Non-Allowable - Expenses ORS selected for testing for which the Company agreed were non-allowable expenses.¹
- No Documentation Provided – Expenses ORS selected for testing for which the Company did not provide any support.
- Insufficient Documentation Provided – Expenses ORS selected for testing for which the Company did not provide adequate support. Items were disallowed due to no list of attendees on sign-in sheet, no clear business purpose on agenda, no itemized receipt or no third-party documentation.

Table 2 below provides a summary of ORS adjustment 3j found on Schedule 2.

¹ PNG may not agree with the balance of ORS's proposed Adjustment #3j.

Table 2:

Category	Amount
Excessive Operating Expenses	(\$48,229)
Lobbying	(\$176,773)
Recreation, Entertainment or Non-Essential Employee Benefits	(\$39,962)
Development Grants and Sponsorships	(\$154,566)
Company Agrees Non-Allowable	(\$7,924)
No Documentation Provided	(\$193,761)
Insufficient Documentation Provided	(\$164,245)
ORS's Non-Allowable Expense Adjustment #3j.	(\$785,460)

Employee Incentive Pay and Executive Salary

ORS's Adjustment #3m for incentive pay and executive's salaries and benefits totals (\$472,748). ORS recommends an adjustment of (\$456,632) to remove the portion of Long-Term Incentives and Short-Term Incentives for all employees allocated to South Carolina natural gas operations for the Company's Earnings per Share ("EPS") and Total Shareholder Return ("TSR") goals. ORS's recommendation to exclude incentive compensation expenses associated with EPS and TSR is based on the following rationale: 1) payments for earnings goals is not certain; 2) earnings can be influenced greatly by factors such as customer growth and higher authorized returns which are not directly attributed to the actions of Company employees; and 3) incentive payments to employees should be made using increased earnings not through customer rates.

ORS also recommends an adjustment of (\$16,116) to remove fifty percent (50%) of the base pay and benefits paid to the Company's four (4) highest compensated executives allocated to the Company's South Carolina natural gas operations. These four (4) executives' job duties are solely focused on increasing value for the Company's shareholders.

In addition, PNG capitalizes a portion of employee incentives and associated taxes for work related to plant-in-service. ORS requests the Commission to require the Company, in future RSA filings, to identify the capitalized incentives and associated taxes included in plant-in-service, accumulated depreciation and depreciation expense.

Capital Structure

S.C. Code Ann. § 58-5-440 contains requirements for the March Monitoring Report and states,

"(1) if the utility's earnings exceed the upper end of the range established in the order, the utility shall calculate the reduction in revenue required to lower its return on equity to the midpoint of the range established in the order; or (2) if the utility's earnings are below the lower range established in the order, the utility shall calculate the additional revenue required to increase its return on equity to the midpoint of the range established in the order."

The range is 12.10% to 13.10% with a midpoint of 12.60% return on equity.

The Company included in the RSA filing a hypothetical or “target” capital structure comprised of 47% Long-Term Debt and 53% Common Equity. The Company’s balance sheet for the twelve-month period ending March 31, 2019 reflected an actual capital structure, consisting of 44.65% Long-Term Debt and 55.35% Common Equity. ORS used the Company’s actual capital structure for this period for purposes of the RSA.

The actual common equity ratio at March 31, 2019 is 5.5 percentage points higher than the actual common equity ratio at March 31, 2018 (*i.e.*, 49.85%), primarily driven by an injection of paid-in capital in the current reporting period. While this change has raised the common equity ratio above the Company’s target, ORS recommends the actual capital structure for the current period be used for this report and that the Company continue to work towards reestablishing its hypothetical capital structure of 53% Common Equity.

Excess Revenues

After the 2017 Tax Cuts and Jobs Act was passed into law, the Company’s federal income tax rate decreased from 35% to 21%. From January 1, 2018 and continuing through October 31, 2018, the Company collected revenues from customers based on a 35% federal income tax rate. Through October 2019 the Company will return approximately \$2,970,482 to customers for excess revenue collected.

The Company calculated the value of excess tax revenue collected from April 1, 2018 through October 31, 2018 as \$1,322,801. This amount is returned to customers as a rate decrement beginning November 1, 2019. ORS does not propose any adjustment to the method in which the Company calculated the excess revenue of \$1,322,801.

Rate Design and Allocation of Additional Revenue

S.C. Code Ann. § 58-5-440 states, “The proposed rate changes, filed by the utility, shall conform as nearly as is practicable with the revenue allocation principles contained in the most recent rate order.” ORS has reviewed the Company’s proposed tariffs for conformance, as nearly as practicable, with the revenue allocation principles set out in the Company’s most recent rate order, which is Commission Order No. 2002-761 in Docket No. 2002-63-G. If the Commission approves the findings of ORS’s examination, the Company would then apply the change in revenue amount in proportion to the Company’s Request using the same criteria. ORS will verify the new rates generate the approved revenue change.

Revenue Verification

ORS verified the approved rates for April 1, 2018 through March 31, 2019 reflect actual revenues generated during the Review Period. ORS utilized the approved rates in effect at the time the Monitoring Report was filed to obtain the annualized revenues. ORS utilized the rate schedules effective November 1, 2018, and a pro-forma adjustment to revenue and expenses for the cost of gas as reflected in the Company’s most recent Gas Cost Recovery Mechanism.

ORS verified the proposed revised tariffs in Schedule 2 of Piedmont’s filing will have the following effects. A margin revenue increase of \$12,941,237 for the adjustment for proposed margin (Piedmont Schedule 7, adjustment 11), a demand cost revenue increase of \$4,022,811 (Piedmont

Schedule 7, adjustment 22), and (\$1,322,801) for the special decrement related to excess tax collections.

ORS's review determined the retail revenue target increase is as follows:

- 1) A margin revenue increase of \$12,947,937 for the adjustment for proposed margin (ORS Schedule 1, adjustment 11);
- 2) A demand cost revenue increase of \$4,024,949 (ORS Schedule 1, adjustment 17); and
- 3) A special decrement of (\$1,322,801) for excess tax collections.

ORS increased the Company's proposed revenue increase by \$8,838 or 0.05%. The results of ORS's examination are shown on Schedule 1.

Conclusions

ORS reviewed Piedmont's Monitoring Report and conducted an examination of the Company's books and records. Considering the provisions of the RSA, ORS' recommended adjustments and prior Commission order, the following revenue and rate impacts are:

- Margin revenue increase of \$12,947,937;
- Demand cost revenue increase of \$4,024,949 for Cost of Gas – Demand; and
- Rate decrement of (\$1,322,801) for the excess income tax collections.

Office of Regulatory Staff

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Schedule 1

Piedmont Natural Gas Company
South Carolina Operations
Net Operating Income and Rate of Return
For the Twelve-Month Period Ended March 31, 2019
Docket No. 2019-7-G

	(1)	(2)	(3)	(4)	(5)	(6)
	Per Regulatory Books	ORS Accounting and Pro Forma Adjustments	ORS As Adjusted	Adjustments for Proposed Margin Increase	Adjustments for Demand Cost Under(Over) Recovery	Total After Proposed Rates
<u>Operating Revenues</u>						
1 Sale and Transportation of Gas	\$ 153,587,996	\$ (6,969,147)	(1) \$ 146,618,849	\$ 12,947,937	(11) \$ 4,024,949	(17) \$ 163,591,735
2 Other Operating Revenues	682,230	0	682,230	0	0	682,230
3 Total Operating Revenues	154,270,226	(6,969,147)	147,301,079	12,947,937	4,024,949	164,273,965
<u>Operating Expenses</u>						
4 Cost of Gas	71,141,986	(5,751,500)	(2) 65,390,486	0	3,992,375	(18) 69,382,861
5 Operations and Maintenance	31,564,464	(1,167,456)	(3) 30,397,008	32,278	10,034	(19) 30,439,320
6 Depreciation	14,289,194	2,604,053	(4) 16,893,247	0	0	16,893,247
7 General Taxes	10,106,200	(2,173,631)	(5) 7,932,569	72,510	22,540	(20) 8,027,619
8 State Income Taxes	(757,855)	1,735,532	(6) 977,677	642,158	0	1,619,835
9 Federal Income Taxes	3,674,028	(710,856)	(7) 2,963,172	2,562,209	0	5,525,381
10 Amortization of Investment Tax Credits	(13,176)	0	(13,176)	0	0	(13,176)
11 Total Operating Expenses	130,004,841	(5,463,858)	124,540,983	3,309,155	4,024,949	131,875,087
12 Net Operating Income	24,265,385	(1,505,289)	22,760,096	9,638,782	0	32,398,878
13 Interest on Customers' Deposits	(83,601)	0	(83,601)	0	0	(83,601)
14 Amortization of Debt Redemption Premium	0	0	(8) 0	0	0	0
15 Allowance for Funds Used During Construction	590,178	0	590,178	0	0	590,178
16 Customer Growth	177,137	(10,988)	(9) 166,149	70,363	0	236,512
17 Net Operating Income for Return	\$ 24,949,099	\$ (1,516,277)	\$ 23,432,822	\$ 9,709,145	\$ 0	\$ 33,141,967
<u>Rate Base:</u>						
18 Plant in Service	\$ 662,331,272	\$ 0	\$ 662,331,272			\$ 662,331,272
19 Accumulated Depreciation	(243,204,108)	0	(243,204,108)			(243,204,108)
20 Net Plant in Service	419,127,164	0	419,127,164			419,127,164
Add:						
21 Construction Work in Progress	34,643,898	0	34,643,898			34,643,898
22 Materials and Supplies	6,861,533	0	6,861,533			6,861,533
23 Cash Working Capital	(847,675)	(145,932)	(10) (993,607)			(993,607)
Deduct:						
24 Customers' Advances	0	0	0			0
25 Customers' Deposits	2,796,421	0	2,796,421			2,796,421
26 Accumulated Deferred Income Taxes	91,042,968	0	91,042,968			91,042,968
27 Unclaimed Funds	144,338	0	144,338			144,338
28 Total Rate Base:	\$ 365,801,193	\$ (145,932)	\$ 365,655,261			\$ 365,655,261
29 Rate of Return	6.82%		6.41%			9.06%
30 Return on Common Equity	8.55%		7.80%			12.60%

Schedule 2

Piedmont Natural Gas Company
South Carolina Operations
Explanations of Accounting and Pro Forma Adjustments
For the Twelve-Month Period Ended March 31, 2019
Docket No. 2019-7-G

<u>Line No.</u>	<u>Description</u>	<u>Per Piedmont</u>	<u>Per ORS</u>
1	<u>Operating Revenues - Sale and Transportation of Gas</u>		
	To adjust revenues to the going-level basis.	\$ (6,969,147)	\$ (6,969,147)
	<u>Total Operating Revenues - Sale and Transportation of Gas</u>	<u>\$ (6,969,147)</u>	<u>\$ (6,969,147)</u>
2	<u>Cost of Gas</u>		
	To adjust cost of gas to the going-level basis.	\$ (5,751,500)	\$ (5,751,500)
	<u>Total Cost of Gas</u>	<u>\$ (5,751,500)</u>	<u>\$ (5,751,500)</u>
3	<u>Operations and Maintenance Expenses</u>		
a.	To adjust payroll expense to the going-level basis.	\$ 217,883	\$ 217,883
b.	To adjust pension and OPEB expenses to the going-level basis.	(212,260)	(212,260)
c.	To adjust employee retirement and welfare benefit expenses to the going-level basis.	285,241	285,241
d.	To decrease expenses for the provision for uncollectible accounts to reflect actual net write-offs over a three-year period.	(311,237)	(311,237)
e.	To adjust expenses for allocations to non-utility activities.	(7,145)	(10,705)
f.	To adjust LTI - equity incentives expenses to the going-level basis	98,814	0
g.	To adjust STI - short term incentives expenses to the going-level basis.	282,531	0
h.	To adjust lease expenses to the going-level basis.	(80,604)	(80,604)
i.	To adjust expenses for the South Carolina assessment fee.	12,162	87,870
j.	To adjust expenses for non-allowables for ratemaking purposes.	(579,214)	(785,460)
k.	To adjust expenses for Gas Technology Institute (GTI) expense.	0	0
l.	To adjust expenses for amortization of deferred SC environmental expense.	114,564	114,564
m.	To adjust the Company's LTI & STI to remove amounts associated with stock performance and remove 50% of the Company's four highest compensated executives' base pay and benefits.	<u>0</u>	<u>(472,748)</u>
	<u>Total Operations and Maintenance Expense</u>	<u>\$ (179,265)</u>	<u>\$ (1,167,456)</u>

Schedule 2

Piedmont Natural Gas Company
South Carolina Operations
Explanations of Accounting and Pro Forma Adjustments
For the Twelve-Month Period Ended March 31, 2019
Docket No. 2019-7-G

<u>Line No.</u>	<u>Description</u>	<u>Per Piedmont</u>	<u>Per ORS</u>
4	<u>Depreciation Expense</u>		
	To adjust depreciation expense to the going-level basis using the most current depreciation study rates.	\$ 2,604,053	\$ 2,604,053
	<u>Total Depreciation Expense</u>	\$ 2,604,053	\$ 2,604,053
5	<u>General Taxes</u>		
a.	To adjust property taxes to the going-level basis.	\$ (2,306,307)	\$ (2,306,307)
b.	To adjust franchise taxes to the going-level basis.	\$ 155,035	\$ 155,035
c.	To adjust payroll tax expense to the going-level basis.	\$ 45,302	\$ 16,668
d.	To adjust the utility license fee (rate of .3%) to the going-level basis.	\$ (20,907)	\$ (20,907)
e.	To adjust the gross receipts tax (rate of .260010%) to the going level basis.	\$ (14,448)	\$ (18,120)
	<u>Total General Taxes</u>	\$ (2,141,325)	\$ (2,173,631)
6	<u>State Income Taxes</u>		
	To adjust state income taxes (rate of 5%) to reflect the impact on income for accounting and pro forma adjustments.	\$ 1,664,264	\$ 1,735,532
	<u>Total State Income Taxes</u>	\$ 1,664,264	\$ 1,735,532
7	<u>Federal Income Taxes</u>		
a.	To adjust federal income taxes (rate of 21%) to reflect the impact on income for accounting and pro forma adjustments.	(995,215)	\$ 226,903
b.	To decrease expenses for the 2017 tax reform EDIT giveback to customers.	\$	\$ (937,759)
	<u>Total Federal Income Taxes</u>	\$ (995,215)	\$ (710,856)
8	<u>Amortization of Debt Redemption Premium</u>		
	To adjust net operating income for amortization of debt redemption premium.	\$ 0	\$ 0
	<u>Total Amortization of Debt Redemption Premium</u>	\$ 0	\$ 0
9	<u>Customer Growth</u>		
	To adjust net operating income to reflect anticipated customer growth (rate of .73%) following the adjustments to operating revenues and expenses.	\$ (15,842)	\$ (10,988)
	<u>Total Customer Growth</u>	\$ (15,842)	\$ (10,988)

Schedule 2

Piedmont Natural Gas Company
South Carolina Operations
Explanations of Accounting and Pro Forma Adjustments
For the Twelve-Month Period Ended March 31, 2019
Docket No. 2019-7-G

Line No.	<u>Description</u>	<u>Per Piedmont</u>	<u>Per ORS</u>
10	<u>Cash Working Capital</u>		
	To adjust cash working capital following the pro forma adjustments to operation and maintenance expenses (rate of 12.5%).	\$ (22,408)	\$ (145,932)
	<u>Total Cash Working Capital</u>	<u>\$ (22,408)</u>	<u>\$ (145,932)</u>
11	<u>Operating Revenues - Sale and Transportation of Gas</u>		
	To adjust revenues from the sale and transportation of gas for the proposed margin increase.	\$ 12,941,237	\$ 12,947,937
	<u>Total Operating Revenues - Sale and Transportation of Gas</u>	<u>\$ 12,941,237</u>	<u>\$ 12,947,937</u>
12	<u>Operations and Maintenance Expenses</u>		
	To adjust the provision for uncollectible accounts (.24929%) following the adjustment to operating revenues.	\$ 32,261	\$ 32,278
	<u>Total Operations and Maintenance Expenses</u>	<u>\$ 32,261</u>	<u>\$ 32,278</u>
13	<u>General Taxes</u>		
	To adjust the utility license fee (rate of .3%) and gross receipts tax (rate of .260010%) following the adjustment to operating revenues.	\$ 65,651	\$ 72,510
	<u>Total General Taxes</u>	<u>\$ 65,651</u>	<u>\$ 72,510</u>
14	<u>State Income Taxes</u>		
	To adjust state income taxes (rate of 5%) to reflect the impact on income from the adjustments to operating revenues and expenses.	\$ 642,166	\$ 642,158
	<u>Total State Income Taxes</u>	<u>\$ 642,166</u>	<u>\$ 642,158</u>
15	<u>Federal Income Taxes</u>		
	To adjust federal income taxes (rate of 21%) to reflect the impact on income from the adjustments to operating revenues, expenses and state income taxes.	\$ 2,562,243	\$ 2,562,209
	<u>Total Federal Income Taxes</u>	<u>\$ 2,562,243</u>	<u>\$ 2,562,209</u>

Schedule 2

Piedmont Natural Gas Company
South Carolina Operations
Explanations of Accounting and Pro Forma Adjustments
For the Twelve-Month Period Ended March 31, 2019
Docket No. 2019-7-G

<u>Line No.</u>	<u>Description</u>	<u>Per Piedmont</u>	<u>Per ORS</u>
16	<u>Customer Growth</u>		
	To adjust net operating income to reflect anticipated customer growth (rate of .73%) following the adjustments to operating revenues and expenses.	\$ 70,364	\$ 70,363
	<u>Total Customer Growth</u>	<u>\$ 70,364</u>	<u>\$ 70,363</u>
17	<u>Operating Revenues - Sale and Transportation of Gas</u>		
	To adjust the revenue requirement for the sale and transportation of gas associated with demand cost recovery.	\$ 4,022,811	\$ 4,024,949
	<u>Total Operating Revenues - Sale and Transportation of Gas</u>	<u>\$ 4,022,811</u>	<u>\$ 4,024,949</u>
18	<u>Cost of Gas</u>		
	To adjust cost of gas for the demand cost recovery.	\$ 3,992,375	\$ 3,992,375
	<u>Total Cost of Gas</u>	<u>\$ 3,992,375</u>	<u>\$ 3,992,375</u>
19	<u>Operations and Maintenance Expenses</u>		
	To adjust the provision for uncollectible accounts (rate of .24929%) following the adjustment to operating revenues.	\$ 10,028	\$ 10,034
	<u>Total Operations and Maintenance Expenses</u>	<u>\$ 10,028</u>	<u>\$ 10,034</u>
20	<u>General Taxes</u>		
	To adjust the utility license fee (rate of .3%) and gross receipts tax (rate of .260010%) for the adjustment to revenue for demand cost recovery.	\$ 20,408	\$ 22,540
	<u>Total General Taxes</u>	<u>\$ 20,408</u>	<u>\$ 22,540</u>

Piedmont Natural Gas Company
South Carolina Operations
Weighted Cost of Capital
For the Twelve-Month Period Ended March 31, 2019
Docket No. 2019-7-G

Schedule 3

<u>Description</u>	<u>Capital Structure</u>	<u>Ratio</u>	<u>Regulatory Per Books</u>			<u>ORS As Adjusted</u>			<u>After Proposed Rates</u>		
			<u>Rate Base</u>	<u>Embedded Cost/Return</u>	<u>Overall Cost/Return</u>	<u>Rate Base</u>	<u>Embedded Cost/Return</u>	<u>Overall Cost/Return</u>	<u>Rate Base</u>	<u>Embedded Cost/Return</u>	<u>Overall Cost/Return</u>
Long-Term Debt	1,783,266,802	44.65%	163,330,233	4.68%	2.09%	163,265,074	4.68%	2.09%	163,265,074	4.68%	2.09%
Common Equity	2,210,314,602	55.35%	202,470,960	8.55%	4.73%	202,390,187	7.80%	4.32%	202,390,187	12.60%	6.97%
Total	<u>3,993,581,404</u>	<u>100.00%</u>	<u>365,801,193</u>		<u>6.82%</u>	<u>365,655,261</u>		<u>6.41%</u>	<u>365,655,261</u>		<u>9.06%</u>